

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE
JUNE 19, 2018**

ITEM 3

SUBJECT

CONSIDERATION OF A RESOLUTION TO ADOPT THE STATE FISCAL YEAR 2018-19 DRINKING WATER STATE REVOLVING FUND INTENDED USE PLAN AND REVISED FINAL GUIDELINES FOR THE STATE DRINKING WATER FUNDING PROGRAM, INCLUDING PROPOSITION 1 DRINKING WATER

DISCUSSION

Federal law and regulations require the State Water Resources Control Board (State Water Board) to submit a Drinking Water State Revolving Fund (DWSRF) Intended Use Plan (IUP) at least annually to the United States Environmental Protection Agency (U.S. EPA). A current DWSRF IUP is also required as part of the State Water Board's application to U.S. EPA for each DWSRF federal capitalization grant. After the state fiscal year (SFY) 2018-19 DWSRF IUP is approved by the State Water Board, the Division of Financial Assistance (DFA) will submit it to U.S. EPA as part of the federal fiscal year (FFY) 2018 DWSRF capitalization grant application.

This DWSRF IUP is also the State Water Board's business plan for administering the DWSRF Program for SFY 2018-19. Specifically, it explains the public health funding priorities associated with the DWSRF Program, and how DFA intends to implement the DWSRF Program using the available funds and resources. The DWSRF IUP also discusses DFA's general funding approach, including applicable loan and principal forgiveness/grant terms, small water system funding targets and disadvantaged community funding priorities under the DWSRF. Additionally, the DWSRF IUP explains the budgeting and planned use of the DWSRF set-asides, including DWSRF set-aside funds allocated for the Division of Drinking Water's public water system supervision and technical assistance activities. Finally, the DWSRF IUP describes the federal and state requirements associated with the DWSRF Program, and describes activities planned for SFY 2018-19 and measurements to monitor DFA's performance in administering DWSRF funds.

The DWSRF IUP also describes how DFA will coordinate DWSRF funds with other available financial and programmatic resources, including the resources provided by Proposition 1 (Prop 1), Proposition 68, and other sources of funds that may be appropriated to the State Water Board. The DWSRF IUP describes how state Drinking Water funds are administered, consistent with the DWSRF Policy, thereby representing guidelines for implementing Section 79724 of the Water Code (Prop 1 Drinking Water) and other state Drinking Water funds. Administering these funds as a part of the DWSRF Program allows state Drinking Water loans and grants to be easily combined with the low-interest debt financing available through the DWSRF Program.

DFA has provided stakeholders and interested parties an opportunity to comment on the draft SFY 2018-19 DWSRF IUP and revised final guidelines for the implementation of the state Drinking Water Program, including Prop 1 Drinking Water.

POLICY ISSUES

Should the State Water Board adopt the SFY 2018-19 DWSRF IUP and revised final guidelines for the implementation of the state Drinking Water Program, including Prop 1 Drinking Water?

DIVISION OF DRINKING WATER IMPACT

Approving the SFY 2018-19 DWSRF IUP will help public water systems finance the planning, design and construction of drinking water projects that will enable such water systems to comply with State and federal safe drinking water standards, which are enforced by the Division of Drinking Water and its Local Primacy Agencies. Approving the SFY 2018-19 DWSRF IUP will also ensure DWSRF set-aside funds are available for the Division of Drinking Water's public water system supervision and technical assistance activities.

FISCAL IMPACT

A fiscal impact of the proposed DWSRF and state Drinking Water funding for SFY 2018-19 is included in "Section IV, Funding Capacity and Distribution of Funds" of the SFY 2018-19 DWSRF IUP. The SFY 2018-19 DWSRF IUP describes potential financing statewide of approximately \$569 million. Adoption of this resolution is necessary for the State Water Board to apply to US EPA for DWSRF funding estimated at \$100 million for FFY 2018.

STAFF RECOMMENDATION

The State Water Board should adopt the SFY 2018-19 DWSRF IUP and revised final guidelines for the implementation of the state Drinking Water Program, including Prop 1 Drinking Water

State Water Board action on this item will assist the State Water Board in achieving the policy set forth in section 106.3 of the WC. Specifically, subdivision(a) of that section declares it is the established policy of the State that "every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes." State Water Board action on this item will also be in support of the State Water Board's public water system capacity development strategy and the goal of providing DWSRF funding to support Public Water Systems' technical, managerial and financial capacity.

Additionally, State Water Board action on this item will assist the State Water Board in reaching Goals 4 and 5 of the Strategic Plan Update: 2008-2012 to comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes; and improve transparency and accountability by ensuring that Water Board goals and actions are clear and accessible, by demonstrating and explaining results achieved with respect to the goals and resources available, by enhancing and improving accessibility of data and information, and by encouraging the creating of organizations or cooperative agreements that advance this goal, such as establishment of a statewide water data institute. Also, State Water Board action on this will assist the State Water Board in achieving Goals 2 through 7 of the California Environmental Protection Agency Strategic Vision (dated 2000), which provides for safe drinking water.

State Water Board action on this item will support State Water Board [Resolution No. 2017-0012](#), which was adopted on March 7, 2017 to establish a comprehensive and robust response to climate change that will support California's ongoing climate leadership. The State Water Board found that "given the magnitude of climate change impacts on California's hydrology and water

systems, our response to climate change must be comprehensive and integrated into all Water Boards' actions."

Finally, State Water Board action on this item will support the Governor's Executive Order B-40-17 of April 7, 2017, which states, "the Water Board and [the Department of Water Resources] shall continue to direct actions to minimize water system leaks that waste large amounts of water. The Water Board, after funding projects to address health and safety, shall use loans from the Drinking Water State Revolving Fund to prioritize local projects that reduce leaks and other water system losses."